

Message Text

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PAGE 01 STATE 108421

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FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA

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E.O. 11652:N/A

TAGS:MILI, CA

SUBJECT: CONTINGENCY PRESS GUIDANCE ON LOCKHEED LRPA SALE

BECAUSE OF WSJ STORY MAY 3 BASED ON LOCKHEED SOURCES IN
BURBANK WHICH SPOKE OF USG ASSURANCES TO CANADA IN EVENT
OF LOCKHEED REORGANIZATION, DEPARTMENT CLEARED CONTINGENCY
PRESS GUIDANCE. NO QUESTIONS WERE ASKED ON SUBJECT AT
NOON BRIEFING. FOLLOWING IS TEXT OF GUIDANCE:

Q. CANADA AND LOCKHEED SIGNED A 1 BILLION DOLLAR CONTRACT
APRIL 30 FOR SALE OF 18 LONG-RANGE PATROL AIRCRAFT. IT'S
BEEN REPORTED THAT THE USG GAVE CANADA ASSURANCES ABOUT
LOCKHEED TO GET THEM TO SIGN THE CONTRACT. IS THIS TRUE?

A. WE WELCOME THE SIGNING OF THE CONTRACT. WE SHARE AN
INTEREST IN SEEING CANADA ACQUIRE THIS PATROL CAPABILITY
WHICH SERVES OUR MUTUAL SECURITY OBJECTIVES IN NORTH
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PAGE 02 STATE 108421

AMERVCA AND NATO. WE HAVE HAD EXCHANGES WITH THE GOVERN-

MENT OF CANADA DURING THE NEGOTIATIONS AND INDICATED OUR SUPPORT FOR THE ARRANGEMENT.

Q. DID THE USG GIVE CANADA ANY ASSURANCES ABOUT LOCKHEED'S VIABILITY OR WHAT THE US WOULD DO FOR CANADA IN THE CASE OF A BANKRUPTCY?

A. WE DID NOT ATTEMPT TO GIVE ANY ASSURANCES CONCERNING LOCKHEED'S COMMERCIAL VIABILITY SINCE THE USG CANNOT GUARANTEE THE CONTINUATION OF A PRIVATE BUSINESS. WE DID, HOWEVER, POINT OUT TO THE CANADIANS THAT THE USG ITSELF HAS CONSIDERABLE LONG-RANGE BUSINESS INTRAIN WITH LOCKHEED AND IN RESPONSE TO QUESTIONS WE GAVE OUR JUDGEMENT THAT PROSPECTS ARE FAVORABLE FOR LOCKHEED TO CONTINUE AS A VIABLE CORPORATION. IN VIEW OF OUR OWN SECURITY INTERESTS, WE ASSURED THE CANADIANS THAT WE WOULD COOPERATE IN FACILITATING THE COPRODUCTION ASPECTS OF THE AGREEMENT, AND THAT WE WOULD ATTEMPT, IN CASE OF CORPORATE BANKRUPTCY OR REORGANIZATION, TO SEE THAT CANADA WOULD GET NO LESS FAVORABLE TREATMENT THAN THE US WITH REGARD TO ITS OWN DEFENSE PROCUREMENT CONTRACTS WITH LOCKHEED. SISCO

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